

AMENDED IN SENATE JUNE 22, 2016

AMENDED IN SENATE JUNE 6, 2016

AMENDED IN ASSEMBLY MAY 10, 2016

AMENDED IN ASSEMBLY APRIL 28, 2016

AMENDED IN ASSEMBLY APRIL 11, 2016

AMENDED IN ASSEMBLY MARCH 17, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2693

Introduced by Assembly Member Dababneh
(Coauthors: Assembly Members Travis Allen, Hadley, and Linder)

February 19, 2016

An act to amend Section 53328.1 of the Government Code, and to amend Section 5898.15 of, to amend, renumber, and add Section 5898.16 of, and to add Section 5898.17 to, the Streets and Highways Code, relating to property improvements.

LEGISLATIVE COUNSEL'S DIGEST

AB 2693, as amended, Dababneh. Financing requirements: property improvements.

(1) Existing law authorizes the legislative body of a public agency, as defined, to determine that it would be convenient, advantageous, and in the public interest to designate an area within which authorized public agency officials and property owners may enter into voluntary contractual assessments to finance certain improvements, including the installation of distributed generation renewable energy sources or energy

or water efficiency improvements that are permanently fixed to real property, as specified.

Existing law prohibits a public agency from permitting a property owner to participate in any program established pursuant to these provisions if the owner's participation would result in the total amount of any annual property taxes and assessments exceeding 5% of the property's market value, as determined at the time of approval of the owner's contractual assessment.

This bill would also prohibit a public agency from permitting a property owner to participate in a program pursuant to these provisions ~~unless the property owner has been provided with a completed financing estimate document or a substantially equivalent document~~ *satisfies certain conditions* and the property owner is given the right to cancel the contractual assessment at any time prior to midnight on the 3rd business day after ~~the date of the transaction to enter into the agreement~~ *certain events occur* without penalty or obligation, consistent with certain requirements. ~~The bill would provide that the failure of a public agency to comply with these prohibitions renders the contractual obligations of the property owner for the contractual assessment void.~~ *The bill would require a financing estimate document or a substantially equivalent document to be completed and delivered to a property owner at least 3 business days before the property owner consummates a voluntary contractual assessment pursuant to one of these programs. The bill would prohibit a public agency or other party to a voluntary contractual assessment pursuant to one of these programs to make any representations to a property owner regarding the effect the financed improvements will have on the market value of the property unless the public agency or other party derives its estimates of market value using specified methods.*

~~This bill would also prohibit a public agency from permitting a property owner to participate in a program pursuant to these provisions if the total mortgage-related debt and contractual assessment-related debt on the underlying property would exceed the fair market value of the property at the time of the owner's contractual assessment, if the mortgage-related debt on the property alone is equal to 90% or greater of the property's fair market value at the time of the approval of the owner's contractual assessment, or if the owner is unable to meet specified requirements.~~

This bill would limit these provisions to a property owner who seeks to participate in a program *established to finance the installation of*

distributed generation renewable energy sources or energy or water efficiency improvements that are permanently fixed to real property pursuant to these provisions for a residential property with 4 or fewer units.

(2) The Mello-Roos Community Facilities Act of 1982 specifies the requirements for the establishment of a community facilities district, including, among other things, a petition, a hearing, the establishment of the boundaries of the community facilities district, and an election on the question. Existing law authorizes a community facilities district formed pursuant to an alternative procedure under which the district initially consists solely of territory proposed for annexation to the community facilities district in the future and territory is annexed and subjected to special taxes only upon unanimous approval of the owners, to finance and refinance the acquisition, installation, and improvement of energy efficiency, water conservation, and renewable energy improvements.

This bill would require a legislative body to comply with the requirements described above prior to the annexation of a parcel or parcels to a community facilities district formed pursuant to the alternative procedure. *The bill would prohibit a parcel or parcels from being annexed to a community facilities district formed pursuant to the alternative procedure unless the parcel satisfies specified conditions.*

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) The Legislature finds and declares all of the
- 2 following:
- 3 (1) The Property Assessed Clean Energy program has been
- 4 promoted in California widely as an innovative and alternative
- 5 form of financing for environmental improvements for the benefit
- 6 of the public and California's environment.
- 7 (2) The promotion of the Property Assessed Clean Energy
- 8 financing is now a popular and widespread form of alternative
- 9 financing for consumers seeking solar energy, water conservation,
- 10 energy efficiency, and earthquake retrofitting improvements to the
- 11 benefit of all Californians.
- 12 (3) The consumer obligation to repay voluntary contractual
- 13 assessments created by the Property Assessed Clean Energy

1 program is sometimes misunderstood and may affect the
2 consumer's ability to refinance their loan or sell their property.

3 (4) Making residential real estate secured loans to consumers
4 through Property Assessed Clean Energy financing for home
5 improvements has grown rapidly, raising questions as to whether
6 the Property Assessed Clean Energy program is adequately
7 supported by government regulation.

8 (5) The passage of this act is essential to promote standardized
9 disclosures and protections for consumers to ensure that the
10 Property Assessed Clean Energy program can continue to be widely
11 used to offset the adverse impacts of years of climate change.

12 (b) This act shall be known, and may be cited, as the PACE
13 Preservation and Consumer Protections Act.

14 SEC. 2. Section 53328.1 of the Government Code is amended
15 to read:

16 53328.1. (a) As an alternate and independent procedure for
17 forming a community facilities district, the legislative body may
18 form a community facilities district that initially consists solely
19 of territory proposed for annexation to the community facilities
20 district in the future, with the condition that a parcel or parcels
21 within that territory may be annexed to the community facilities
22 district and subjected to the special tax only with the unanimous
23 approval of the owner or owners of the parcel or parcels at the
24 time that the parcel or parcels are annexed. In that case, the
25 legislative body shall follow the procedures set forth in this article
26 for the formation of a community facilities district, with the
27 following exceptions:

28 (1) The legislative body shall not be obligated to specify the
29 rate or rates of special tax in the resolution of intention or the
30 resolution of formation, provided that both of the following are
31 met:

32 (A) The resolution of intention and the resolution of formation
33 include a statement that the rate shall be established in an amount
34 required to finance or refinance the authorized improvements and
35 to pay the district's administrative expenses.

36 (B) The maximum rate of special tax applicable to a parcel or
37 parcels shall be specified in the unanimous approval described in
38 this section relating to the parcel or parcels.

39 (2) The legislative body shall not be obligated to specify in the
40 resolution of intention the conditions under which the obligation

1 to pay the specified special tax may be prepaid and permanently
2 satisfied. Instead, a prepayment provision may be included in the
3 unanimous approval of the owner or owners of each parcel or
4 parcels at the time that the parcel or parcels are annexed to the
5 community facilities district.

6 (3) In lieu of approval pursuant to an election held in accordance
7 with the procedures set forth in Sections 53326, 53327, 53327.5,
8 and 53328, the appropriations limit for the community facilities
9 district, the applicable rate of the special tax and the method of
10 apportionment and manner of collection of that tax, and the
11 authorization to incur bonded indebtedness for the community
12 facilities district shall be specified and be approved by the
13 unanimous approval of the owner or owners of each parcel or
14 parcels at the time that the parcel or parcels are annexed to the
15 community facilities district. No additional hearings or procedures
16 are required, and the unanimous approval shall be deemed to
17 constitute a unanimous vote in favor of the appropriations limit
18 for the community facilities district, the authorization to levy the
19 special tax on the parcel or parcels, and the authorization to incur
20 bonded indebtedness for the community facilities district.

21 (4) Notwithstanding Section 53324, this paragraph establishes
22 the applicable protest provisions in the event a local agency forms
23 a community facilities district pursuant to the procedures set forth
24 in this section. If 50 percent or more of the registered voters, or
25 six registered voters, whichever is more, residing within the
26 territory proposed to be annexed to the community facilities district
27 in the future, or if the owners of one-half or more of the area of
28 land proposed to be annexed in the future and not exempt from
29 the special tax, file written protests against establishment of the
30 community facilities district, and protests are not withdrawn so as
31 to reduce the protests to less than a majority, no further proceedings
32 to form the community facilities district shall be undertaken for a
33 period of one year from the date of decision of the legislative body
34 on the issues discussed at the hearing. If the majority protests of
35 the registered voters or of the landowners are only against the
36 furnishing of a specified type or types of facilities or services
37 within the district, or against levying a specified special tax, those
38 types of facilities or services or the specified special tax shall be
39 eliminated from the resolution of formation.

1 (5) The legislative body shall not record a notice of special tax
2 lien against any parcel or parcels in the community facilities district
3 until the owner or owners of the parcel or parcels have given their
4 unanimous approval of the parcel's or parcels' annexation to the
5 community facilities district, at which time the notice of special
6 tax lien shall be recorded against the parcel or parcels as set forth
7 in Section 53328.3.

8 (b) Notwithstanding the provisions of Section 53340, after
9 adoption of the resolution of formation for a community facilities
10 district described in subdivision (a), the legislative body may, by
11 ordinance, provide for the levy of the special taxes on parcels that
12 will annex to the community facilities district at the rate or rates
13 to be approved unanimously by the owner or owners of each parcel
14 or parcels to be annexed to the community facilities district and
15 for apportionment and collection of the special taxes in the manner
16 specified in the resolution of formation. No further ordinance shall
17 be required even though no parcels may then have annexed to the
18 community facilities district.

19 (c) The local agency may bring an action to determine the
20 validity of any special taxes levied pursuant to this chapter and
21 authorized pursuant to the procedures set forth in this section
22 pursuant to Chapter 9 (commencing with Section 860) of Title 10
23 of Part 2 of the Code of Civil Procedure. Notwithstanding Section
24 53359, if an action is brought by an interested person pursuant to
25 Section 863 of the Code of Civil Procedure to determine the
26 validity of any special taxes levied against a parcel pursuant to
27 this chapter and authorized pursuant to the procedures set forth in
28 this section, the action shall be brought pursuant to Chapter 9
29 (commencing with Section 860) of Title 10 of Part 2 of the Code
30 of Civil Procedure, but shall, notwithstanding the time limits
31 specified in Section 860 of the Code of Civil Procedure, be
32 commenced within 15 days after the date on which the notice of
33 special tax lien is recorded against the parcel. Any appeal from a
34 judgment in any action or proceeding described in this subdivision
35 shall be commenced within 30 days after entry of judgment.

36 (d) A community facilities district formed pursuant to this
37 section may only finance facilities pursuant to subdivision (l) of
38 Section 53313.5.

39 (e) (1) The legislative body shall comply with the requirements
40 specified in Sections 5898.16 and 5898.17 of the Streets and

1 Highways Code prior to the annexation of a parcel or parcels to a
2 community facilities district formed pursuant to this section.

3 *(2) A parcel or parcels shall not be annexed to a community*
4 *facilities district formed pursuant to this section unless the parcel*
5 *complies with the conditions specified in subdivision (a) of Section*
6 *26063 of the Public Resources Code and in subdivision (b) of*
7 *Section 10081 of Title 4 of the California Code of Regulations.*

8 (f) In connection with formation of a community facilities
9 district and annexation of a parcel or parcels to the community
10 facilities district pursuant to this section, and the conduct of an
11 election on the proposition to authorize bonded indebtedness
12 pursuant to the alternate procedures set forth in Section 53355.5,
13 the local agency may, without additional hearings or procedures,
14 designate a parcel or parcels as an improvement area within the
15 community facilities district. After the designation of a parcel or
16 parcels as an improvement area, all proceedings for approval of
17 the appropriations limit, the rate and method of apportionment and
18 manner of collection of special tax and the authorization to incur
19 bonded indebtedness for the parcel or parcels shall apply only to
20 the improvement area.

21 (g) In connection with a community facilities district formed
22 under this section, as an alternate and independent procedure for
23 making the changes described in Section 53330.7, the changes
24 may be made with the unanimous approval of the owner or owners
25 of the parcel or parcels that will be affected by the change and
26 with the written consent of the local agency. No additional hearings
27 or procedures are required, and the unanimous approval shall be
28 deemed to constitute a unanimous vote in favor of the proposed
29 changes. If the proceeds of a special tax are being used to retire
30 any debt incurred pursuant to this chapter and the unanimous
31 approval relates to the reduction of the special tax rate, the
32 unanimous approval shall recite that the reduction or termination
33 of the special tax will not interfere with the timely retirement of
34 that debt.

35 SEC. 3. Section 5898.15 of the Streets and Highways Code is
36 amended to read:

37 5898.15. (a) A public agency shall not permit a property owner
38 to participate in any program established pursuant to this chapter
39 if the owner's participation would result in the total amount of any
40 annual property taxes and assessments exceeding 5 percent of the

1 property's market value, as determined at the time of approval of
2 the owner's contractual assessment.

3 (b) Nothing in this chapter shall be construed to void or
4 otherwise release a property owner from the contractual obligations
5 incurred by a contractual assessment on a property, particularly in
6 the event that the total amount of annual property taxes and
7 assessments exceeds 5 percent of a property's market value after
8 the property owner has entered into a contractual assessment
9 pursuant to this chapter.

10 (c) This section applies to a property owner who seeks to
11 participate in a program established pursuant to this chapter for
12 types of property not subject to the requirements of Sections
13 5898.16 and 5898.17.

14 SEC. 4. Section 5898.16 of the Streets and Highways Code is
15 amended and renumbered to read:

16 5898.18. All references to financing in this chapter shall be
17 deemed to also refer to refinancing, except that with respect to
18 refinancing, the legislative body shall conclude that providing the
19 refinancing will result in an increased adoption of the
20 improvements authorized to be financed by this chapter. This
21 section does not constitute a change in, but is declaratory and a
22 clarification of existing law.

23 SEC. 5. Section 5898.16 is added to the Streets and Highways
24 Code, to read:

25 5898.16. (a) A public agency shall not permit a property owner
26 to participate in any program established pursuant to this chapter
27 *for the purposes specified in paragraph (2) of subdivision (a) of*
28 *Section 5898.20* if any of the following apply:

29 (1) The property owner's participation would result in the total
30 amount of the annual property taxes and assessments exceeding 5
31 percent of the property's fair market value, as determined at the
32 time of approval of the property owner's contractual assessment.

33 ~~(2) The total mortgage-related debt and contractual~~
34 ~~assessment-related debt on the underlying property would exceed~~
35 ~~the fair market value of the property, as determined at the time of~~
36 ~~the property owner's contractual assessment.~~

37 ~~(3) The total mortgage-related debt on the property alone is~~
38 ~~equal to 90 percent or greater of the property's fair market value,~~
39 ~~as determined at the time of approval of the property owner's~~
40 ~~contractual assessment.~~

1 ~~(4) The property owner is unable to meet all of the following~~
2 ~~criteria:~~

3 ~~(A) The property owner shall certify that the property taxes for~~
4 ~~the property are current and that there is no more than one late~~
5 ~~payment during the previous three years or the period of time~~
6 ~~during which the property owner has owned the property,~~
7 ~~whichever is less.~~

8 ~~(B) The property owner shall certify that he or she is not~~
9 ~~currently in default on any debt secured by the property and that~~
10 ~~there is no more than one late payment during the 12-month period~~
11 ~~preceding the time of the property owner's contractual assessment~~
12 ~~and that late payment, if any, was submitted no later than 30 days~~
13 ~~after the due date.~~

14 ~~(C) The property owner has not had any active bankruptcies~~
15 ~~within the last seven years. This criterion can be met if a property~~
16 ~~owner's bankruptcy was discharged between two and seven years~~
17 ~~before the application date and the property owner has not had any~~
18 ~~mortgage or nonmortgage payments past due for more than 60~~
19 ~~days in the most recent 24 months.~~

20 ~~(D) The property owner does not have an involuntary lien~~
21 ~~recorded against the property in excess of one thousand dollars~~
22 ~~(\$1,000).~~

23 ~~(2) The property does not comply with the conditions specified~~
24 ~~in subdivision (a) of Section 26063 of the Public Resources Code~~
25 ~~and in subdivision (b) of Section 10081 of Title 4 of the California~~
26 ~~Code of Regulations.~~

27 ~~(b) A public agency shall not permit the property owner to~~
28 ~~participate in any program established pursuant to this chapter for~~
29 ~~the purposes specified in paragraph (2) of subdivision (a) of~~
30 ~~Section 5898.20 unless both of the following requirements are met:~~
31 ~~the property owner is given the right to cancel the contractual~~
32 ~~assessment without penalty or obligation, consistent with the~~
33 ~~following:~~

34 ~~(1) The property owner has been provided with a completed~~
35 ~~financing estimate document set forth in Section 5898.17, or a~~
36 ~~substantially equivalent document that displays the same~~
37 ~~information in a substantially similar format.~~

38 ~~(2) The property owner is given the right to cancel the~~
39 ~~contractual assessment at any time prior to midnight on the third~~
40 ~~business day after the date of the transaction to enter into the~~

1 ~~agreement without penalty or obligation, consistent with the~~
2 ~~following:~~

3 (A)

4 (1) The property owner shall receive two copies of the right to
5 cancel document set forth below or a substantially similar
6 document that displays the same information in a substantially
7 similar format.

8
9 **Right to Cancel**

10
11 Property Owner: _____
12 [Owner Full Name], [Phone], [Email]

13 Property Address: _____
14 [Property Address]

15
16 Your Right to Cancel:

17
18 You are entering into a contractual assessment with _____ for financing
19 [Provider]

20 that will result in a lien on the property at _____. You may cancel
21 [Property Address]

22 this transaction, without cost,

23 ~~within three business days from the date on which you signed the contractual~~
24 ~~assessment.~~

25 *until midnight on the third business day after whichever of the following events*
26 *occurs last:*

27 (1) *The date on which you signed the contractual assessment.*

28 (2) *The date you received your Financing Estimate and Disclosure.*

29 (3) *The date you received this notice of your right to cancel.*
30

31 *If you cancel the transaction, _____, within 20 calendar days after*
32 *[Provider]*

33 _____ *receives notice of cancellation, must take the steps necessary to*
34 *[Provider]*

35 *reflect the fact that, if recorded, the lien on your property has been discharged*
36 *or reconveyed, and _____ must return to you any money you have given*
37 *[Provider]*

38 *in connection with your application, not including the application processing*
39 *fee. After _____ has done the things mentioned above, you must return*
40 *[Provider]*

1 *any money paid to you or on your behalf, whether to your contractor or any*
2 *other person. All money must be returned to the address below.*

3
4 If you cancel the transaction:

- 5 • You will not be charged a cancellation fee; and
- 6 • You will be refunded any money you have given, excluding application
7 and processing fees as applicable.

8
9 To cancel this transaction, you may submit this form to _____ in writing
10 [Provider]

11 at:

12 Provider: _____

13 Attn: Right to Cancel Notification

14 Address: _____

15
16 Deadline to Cancel:

17
18 If you want to cancel this transaction, you must submit this form on or before
19 [Insert date].

20
21 *You may use any written statement that is signed and dated by you and states*
22 *your intention to cancel, or you may use this notice by dating and signing*
23 *below.*

24 If you cancel by

25 ~~mail~~

26 *mail, fax,*

27 *or email, you must send the notice no later than midnight of the third business*
28 *day following the date on which you signed the contractual assessment. If you*
29 *send or deliver your written notice to cancel some other way, it must be*
30 *delivered to the above address no later than the time indicated above.*

31
32 *I WISH TO CANCEL*

33
34 _____
35 *Property Owner*

Date

36
37
38 ~~(B)~~

39 (2) The property owner is deemed to have given notice of
40 cancellation at the moment that the property owner sends the notice

1 by ~~mail or email~~ *mail, email, or fax* or at the moment that the
2 property owner otherwise delivers the notice, as applicable.

3 ~~(e) Failure to comply with the requirements of subdivision (b)~~
4 ~~renders the contractual obligations of a property owner for a~~
5 ~~contractual assessment entered into pursuant to this chapter void.~~

6 ~~(d) Except as provided in subdivision (b), nothing in this chapter~~
7 ~~shall be construed to void or otherwise release a property owner~~
8 ~~from the contractual obligations incurred by a contractual~~
9 ~~assessment on a property.~~

10 (e)
11 (c) This section only applies to a property owner who seeks to
12 participate in a program established pursuant to this chapter *for*
13 *the purposes specified in paragraph (2) of subdivision (a) of*
14 *Section 5898.20* for a residential property with four or fewer units.

15 (d) *For the purposes of this section, "property owner" shall*
16 *include all persons listed on the title to the property.*

17 SEC. 6. Section 5898.17 is added to the Streets and Highways
18 Code, to read:

19 5898.17. (a) The disclosure set forth below, or a substantially
20 equivalent document that displays the same information in a
21 substantially similar format, shall be completed and delivered to
22 a property owner at least three business days before the property
23 owner consummates a voluntary contractual assessment described
24 in this chapter *for purposes specified in paragraph (2) of*
25 *subdivision (a) of Section 5898.20* or a special tax described in
26 Section 53328.1 of the Government Code. The disclosure shall be
27 provided to the property owner as a printed copy, if requested by
28 the property owner. A sample of the disclosure set forth below
29 shall be maintained on a public Internet Web site available to
30 property owners.

31 (b) This section only applies to disclosure to a property owner
32 who seeks to participate in a program established pursuant to this
33 chapter *for the purposes specified in paragraph (2) of subdivision*
34 *(a) of Section 5898.20* for a residential property with four or fewer
35 units.

36
37 Financing Estimate and Disclosure

38 Notice to Property Owner: You have the right to request that a hard copy of
39 this document be provided to you before and after reviewing and signing. The
40 financing arrangement described below will result in an assessment against

your property which will be collected along with your property taxes. The lien against your property may jeopardize your ability to sell or refinance your property unless you repay the underlying debt. You may request a subordination of the lien in order to address complications in your ability to refinance or sell your property.

There may be cheaper alternative financing arrangements available; taxes and will result in a lien on your property. You should read and review the terms carefully, and if necessary, consult with a tax professional or attorney.

Customer Service Toll-Free telephone number and email:

In the event you have a consumer complaint, questions about your financing obligations related to the contractual assessment or your contractual rights under the terms of this contract, you can contact either this toll-free telephone number or email address provided below and receive a response within 24 hours or one business day.

Toll-Free telephone number: _____

Customer service email address: _____

Products and Costs

Product costs (including labor/installation) \$_____

Description

- 1.
- 2.
- 3.

Financing Costs

Application fees and costs \$_____

Prepaid Interest \$_____

Other Costs \$_____

Total Amount Financed \$_____

Annual Percentage Rate (APR) _____%

Simple Interest Rate _____%

Total Annual Principal, Interest, and \$_____

Administrative Fees

Note: If your property taxes are paid through an impound account, your lender may apportion the amount and add it to your monthly payment.

See "Other important considerations," below

1 Total Amount you will
 2 have paid over the life of
 3 the loan \$_____

4
 5 **Other Costs**

6 Appraisal Fees \$_____
 7 Bond related costs \$_____
 8 Annual Administrative fees \$_____
 9 Estimated closing costs \$_____
 10 Credit Reporting Fees \$_____
 11 Recording Fees \$_____

12
 13 **Total Financing Costs**

14 **and Closing Costs** \$_____
 15 Estimated Cash (out of
 16 pocket) to close \$_____

17
 18
 19 **Other Terms**

20 Prepayment fee ☐ No ☐ Yes _____
 21 Assumable by new owner ☐ No ☐ Yes _____

22
 23 **Additional Information About These Financing**

24 **Comparisons** [Use this information to compare to other financing options]

25
 26 _____
 27 In 10 years \$_____ Principal you will have paid off.
 28 \$_____ Amount of interest you have paid.
 29 \$_____ Amount of financing and other costs
 30 you will have paid.
 31 \$_____ Total you will have paid.

32 _____
 33 Annual Percentage Rate _____%

34 _____
 35
 36 Total Interest Paid (as a percentage of all the _____%
 37 payments you have made)

38
 39 ~~Estimated market value of home without the improvement:~~ _____

40 ~~Estimated market value of home with the improvement:~~ _____

The estimated market value of your home is derived using one of the following:
1) an automated valuation model, which is a computerized property valuation system that is used to derive a real property value; 2) a broker's price opinion conducted by a real estate broker licensed pursuant to Part 1 (commencing with Section 10000) of Division 4 of the Business and Professions Code; or, 3) an appraisal conducted by a state licensed real estate appraiser licensed pursuant to Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code.

Other Important Considerations

Assumption by New Buyer ☐ Yes - Allowed on original terms
☐ No - Not Allowed on original terms

I understand that if I refinance my home, my mortgage company may require me to pay off the full remaining balance of this obligation, unless I request that the lien be subordinated to an existing mortgage. *mortgage and the holder of the lien agrees to subordinate (allow the mortgage lien to take a higher priority).* If I sell my home, the buyer or their mortgage company may require me to pay off the full remaining balance of this obligation.

[Borrower initials]

Monthly Mortgage Payments

Your payments will be added to your property tax bill. Whether you pay your property taxes through your mortgage payment, using an impound account, or if you pay them directly to the tax collector, you will need to save an estimated \$_____ for your first tax installment. If you pay your taxes through an impound account you should notify your lender, so that your monthly mortgage payment can be adjusted by your lender to cover your increased property tax bill.

[Borrower initials]

Tax Benefits: Consult your tax advisor regarding tax credits, credits and deductions, tax deductibility, and other tax benefits available. Making an appropriate application for the benefit is your responsibility.

[Borrower initials]

Three Day Right to Cancel

You, the property owner, may cancel the contract at any time prior to midnight on the third business day after the date of the transaction to enter into the agreement without any penalty or obligation. To cancel this transaction, you may mail or deliver a signed and dated copy of the contract with notice of cancellation to:

_____ [name of business] at

_____ [address]

You may also cancel the contract by sending notification of cancellation by email to the following email address: _____ [email address of business].

[Borrower initials]

Senior Lien Resulting from This Transaction

This contractual assessment will result in a senior lien on your property. A lien occurs when an assessment, obligation, or claim (debt) is secured by the value of your property, such as a mortgage. Once the debt associated with the lien is paid in full, the lien can be released. If you fail to pay the debt, a lien permits the foreclosure (sale) of your property in order to pay the amount owed. If the property is sold or refinanced, the debt must generally be paid from the proceeds. If you have more than one lien on your property, the priority of liens will determine which debts must be paid first from the sale proceeds. The lien attached to your property in connection with assessment has “senior” lien status, which means that it has priority and must be satisfied before any other private liens, including a mortgage. The existence of this senior lien may jeopardize your ability to refinance or sell your property unless the debt is paid in full or the holder of the lien agrees to subordinate (allow another lien to take a higher priority). The foreclosure of a property subject to a senior lien will terminate all other liens on the property with a lower priority. A senior lien may be in conflict with the terms of your mortgage contract with your lender. It is your responsibility to ensure that you are authorized to enter into this transaction.

[Borrower initials]

Confirmation of Receipt

This confirms the receipt of the information in this form. You do not have to accept this financing just because you acknowledge that you have received or signed this form, and it is NOT a contract.

[Property Owner Signature - Date]

[Property Owner Signature
- Date]

(c) A public agency or other party to a voluntary contractual assessment described in this chapter for the purposes specified in paragraph (2) of subdivision (a) of Section 5898.20 or a special tax described in Section 53328.1 of the Government Code shall not make any representations to a property owner regarding the effect the financed improvements will have on the market value of the property unless that public agency or other party derives its estimates of the market value using one of the following:

(1) An automated valuation model, which is a computerized property valuation system that is used to derive a real property value.

(2) A broker's price opinion conducted by a real estate broker licensed pursuant to Part 1 (commencing with Section 10000) of Division 4 of the Business and Professions Code.

(3) An appraisal conducted by a state licensed real estate appraiser licensed pursuant to Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code.

(d) For the purposes of this section, "property owner" shall include all persons listed on the title to the property.